

STATEMENT OF CONSIDERATIONS

CLASS WAIVER OF THE GOVERNMENT'S U.S. AND FOREIGN PATENT RIGHTS IN CERTAIN IDENTIFIED INVENTIONS TO SANDIA CORPORATION MADE IN THE COURSE OF OR UNDER MANAGEMENT AND OPERATING CONTRACT DE-AC04-76DP00789 OF THE DEPARTMENT OF ENERGY (DOE) WITH AMERICAN TELEPHONE AND TELEGRAPH COMPANY AND SANDIA CORPORATION W(C)91-004

American Telephone and Telegraph Company (AT&T), through Sandia Corporation (Sandia), manages and operates the Sandia National Laboratories (SNL) for the DOE under Prime Contract No. DE-AC04-76DP00789. Both AT&T and Sandia are organized as large, for-profit corporations.

SNL comprises Government owned, Contractor-operated facilities located in New Mexico, California, Hawaii and Nevada. SNL has a remarkable record of scientific and technical success under the management and operation of Sandia since 1949. This success is due, in part, to the unique contractual relationship that exists between DOE and its management and operating (M&O) contractors by way of the dedication of both technical and administrative skills of private organizations, such as AT&T and Sandia, to a significant Federal mission in a close, long-term, cooperative relationship.

Currently, the Department's nonprofit M&O contractors have the right to retain title to inventions made in the performance of their prime contract with DOE pursuant to Title 35 U.S.C. 202 (Public Law 96-517), as amended by Public Law 98-620, other than those inventions excluded by Section 202(a)(ii-iv).

In 1983, President Reagan's Memorandum on Government Patent Policy was promulgated directing that;

To the extent permitted by law, agency policy with respect to the disposition of any invention made in the performance of a federally-funded research and development contract, grant or cooperative agreement award shall be the same or substantially the same as applied to small business firms and nonprofit organizations under Chapter 38, Title 35 of the United States Code.

DOE considered the impact of the President's Memorandum on its patent policy with respect to large for-profit business contractors, including its M&O contractors, and determined that Section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182), as amended, and Section 9 of the Non-Nuclear Energy Research and Development Act of 1974 (42 U.S.C. 5908), precluded DOE from automatically granting title to its large for profit contractors pursuant to the President's Memorandum.

AT&T and Sandia, like other of the Department's for-profit M&O contractors, currently have the right to file identified waiver petitions on inventions made in the performance of the Prime Contract. This process imposes a substantial front end administrative burden, both on the Department and on Sandia, in preparing and processing such individual waiver petitions. AT&T rarely requests a waiver of rights in inventions made under the Prime Contract. The DOE has, however, granted under the authority of Section 9 and Section 152 of the above-noted Acts, a number of identified waiver requests to Sandia under the Prime Contract since 1988 in support of Sandia's Technology Transfer Program.

With the overall goal of incorporating the research results from Sandia's Prime Contract into the main stream of American commerce in the most expeditious manner consistent with the President's Memorandum, as referenced in Executive Order 12591 dated April 10, 1987, and in accordance with the authority of Section 152 and Section 9, above, it is believed to be in the best interest of the United States and the general public to grant a Class Waiver to certain identified inventions made by Sandia under the Prime Contract to Sandia Corporation as set forth herein.

The scope of this Class Waiver is directed to the class of identified inventions which comprises subject inventions made by employees of Sandia in the performance of the Prime Contract. It is thus intended to treat Sandia substantially the same as M&O contractors which are small business or non-profit organizations. More specifically, the scope of the Class Waiver shall include U.S. and foreign patent rights to identified inventions made in the performance of the Prime Contract for the facilities managed by Sandia. Excluded from the scope of this Class Waiver are inventions which (1) fall within DOE's weapons programs, which inventions principally relate to weapons or inherently disclose or suggest a weapons application where such disclosure or suggestion would be detrimental to national security; relate to naval nuclear propulsion; relate to uranium enrichment (including isotope separation) program; relate to storage and disposal of civilian high level nuclear waste or spent nuclear fuels; (2) relate to subject matter which is classified or sensitive under Section 148 of the Atomic Energy Act of 1954, as amended; (3) come within the ambit of international agreements or treaties, (4) are subject inventions covered by existing or future Class Waivers granted to third parties by DOE, such as "Work for Others;" or (5) fall within any further exceptions that may, in the national interest, be unilaterally designated by the Secretary. This Class Waiver does not include inventions of subcontractors under the Prime Contract.

Most of the inventions made under the Prime Contract require additional development before they can be made available in the commercial marketplace. This is because many of the inventions made by Sandia are founded upon basic or advanced research. Additionally, many of these inventions are conceptual in nature and are on a laboratory or proof-of-principle scale. Scale-up to a commercial size demonstration of the inventive concept is often a prerequisite to negotiating royalty-bearing licenses. Finally, many of the

inventions arising out of DOE's weapons research will require substantial capital in order to translate the invention into commercial reality; such costs, for example, include further engineering, design, start-up and marketing.

A Class Waiver of the Government's rights in identified inventions as set forth herein will create sufficient exclusive rights in those inventions to bring forth private risk capital to expeditiously promote and move the technology into the commercial marketplace and thereby make the benefits of DOE's program widely available to the public in the shortest practicable time.

Additionally, under the authority of the "National Competitiveness Technology Transfer Act of 1989" (P.L. 101-189) Sandia is authorized to enter into Cooperative Research and Development Agreements (CRADAs) with universities, the private sector and other Federal laboratories for the purpose of promoting technology transfer between the Federal laboratories and the private sector in the United States. By having a waiver of the Government's rights in subject inventions falling within the scope of this Class Waiver, Sandia will be able to combine, where appropriate, these waived inventions with those waived under the separately issued Class Waiver for CRADAs through license agreements with cost-sharing participants under the CRADAs, thereby enhancing the movement of the waived inventions to the commercial marketplace.

Furthermore, the grant of a Class Waiver of identified inventions as set forth herein will enable DOE to take advantage of the technology transfer capabilities of Sandia. Permitting Sandia to retain title to a broad range of important inventions, except those imbued with the national interest, should further enhance the technology transfer initiatives of the Department through Sandia's Prime Contract.

Sandia has agreed to attempt to commercialize the waived inventions within five years from the time the waiver is effective. This commitment to early commercialization by Sandia will best promote the commercial utilization of such inventions and make the benefits of the research effort conducted under the Prime Contract widely available to the public in the shortest practicable time, consistent with the objectives and considerations of DOE's waiver regulations.

Implementation of this Class Waiver is to be by a simple procedure which requires:

- (1) Sandia reporting of the invention pursuant to the Prime Contract and identifying the cognizant DOE program official in the invention disclosure;
- (2) Sandia electing in writing whether or not to retain title to the invention at the time of disclosure or within two years of disclosure;

- (3) Representation after reasonable internal inquiry that the invention falls within this Class Waiver;
- (4) Representation to its best knowledge and belief and after reasonable internal inquiry that the invention does not fall within international agreements or treaties of the Government; and
- (5) Representation that Sandia will attempt to commercialize the invention through its licensees within five years from the time the waiver is effective.

After review of the invention disclosure and relevant facts, Assistant Chief Counsel for Intellectual Property, Albuquerque Operations Office (herein Patent Counsel) will certify whether the waiver is applicable to the invention.

Except as hereinafter provided with respect to DOE's Defense Programs funded inventions, the election for inventions shall become effective sixty (60) days after receipt by Patent Counsel, unless the Patent Counsel shall return the election with reasons for failure to accept the election, as set forth in this Class Waiver or Patent Counsel makes a request for a one-time extension of thirty (30) days.

As noted above, the scope of this Class Waiver does not include two types of DOE Defense Programs funded inventions: (1) inventions which fall within DOE's Weapons Programs, which inventions principally relate to weapons or inherently disclose or suggest a weapons application where such disclosure or suggestion would be detrimental to national security or (2) inventions which relate to subject matter that is classified or sensitive under Section 148 of the Atomic Energy Act of 1954, as amended. These inventions are, accordingly, not available for election under this Class Waiver and if AT&T and Sandia desire greater rights in these inventions, then identified waiver petitions must be pursued.

It is recognized that significant research under the Prime Contract is funded by DOE's Weapons Programs which results in valuable patentable technology. It is further noted that the ownership of such patentable technology by Sandia, in all instances, would not compromise national security or DOE's program or patent position by application of appropriate safeguards.

The fact that certain inventions arising under DOE's Weapons Programs may fall within the scope of this Class Waiver requires that particular attention be given to each invention to ensure that the transfer of technology would not directly or indirectly compromise national security or other aspects of this sensitive program, as specifically prescribed in 48 C.F.R. 927.370.

With regard to any invention arising under or funded by DOE's Weapons Programs which Sandia reports with an election to retain title, Sandia shall, to its best knowledge or belief, provide to Patent Counsel and to a designated Defense Programs Military Application Field Program Official a supporting statement with reasons, addressing

- (1) Whether National Security will be compromised by development, commercialization or licensing activities involving the invention;
- (2) Whether sensitive technical information (classified or unclassified) under the Naval Nuclear Propulsion Program or the Nuclear Weapons Programs or other defense activities of the DOE, for which dissemination is controlled under Federal Statutes and regulations, will be released to unauthorized persons;
- (3) Whether failure to assert such a claim (i.e., failure by DOE to retain title to a subject invention) will adversely affect the operation of the Naval Nuclear Propulsion Program or the Nuclear Weapons Program or other defense activities of the DOE; and
- (4) Whether there is any Export Controlled material present and, if so, how such material will be protected.

Additionally, Sandia shall provide a statement of any safeguards it proposes to protect national security while commercializing the subject matter of the invention.

The election for Defense Program's funded inventions covered by the class waiver shall be subject to the independent concurrence of a designated Defense Programs Military Applications Field Program Official, in addition to the approval of the Patent Counsel. The Patent Counsel shall base the approval determination on the written election and any notifications provided in Part One, paragraph J, of the Technology Transfer Agreement dated January 15, 1991. The concurrence of the designated Defense Programs Military Applications Field Program Official shall be based on a review of the election including the items set forth above, and the approval of such election by Patent Counsel shall not be effective until such concurrence has been provided to Patent Counsel. DOE shall use best efforts to provide approval and concurrence within 90 days of the date of complete election is received.

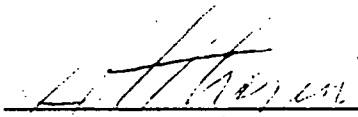
In the interim, pending the grant of the Class Waiver, Sandia has submitted a number of identified waiver petitions on subject inventions. These inventions are of importance to the commercialization efforts of Sandia under its Technology Transfer

Program. An expedited processing of these timely submitted waiver petitions, such as would be effectuated by inclusion in this Class Patent Waiver grant, is highly desirable and would greatly reduce the paper work associated with processing each such waiver on a case-by-case basis. Accordingly, the scope of this Class Waiver shall include inventions made by Sandia's employees on which a timely filed waiver request is pending as of the effective date of this Class Waiver. Further, this Class Waiver shall not apply to any invention existing at the time of approval of this waiver which DOE has advertised as being available for licensing.

This waiver of the Government's rights in inventions as set forth herein is subject to the Government's retention of: (1) a nonexclusive, nontransferable, irrevocable, paid-up license to practice or to have practiced for or on behalf of the United States the waived invention throughout the world, and (2) march-in rights in accordance with the attachment hereto entitled "March-In Rights."

The grant of this Class Waiver should not result in adverse effects on competition or market concentration. Waived inventions will be subject to a royalty-free license to the Government and DOE has the right to require periodic reports on the utilization or the efforts at obtaining utilization that are being made for the waived inventions. If Sandia is not making reasonable efforts to utilize a waived invention, DOE can exercise its march-in right and require licensing of the invention.

Accordingly, in view of the statutory objectives to be obtained and the factors to be considered under DOE's statutory waiver policy, the objectives of Public Law 101-189, and Executive Order 12591, all of which have been considered, it is recommended that this Class Waiver as set forth above will best serve the interest of the United States and the general public. It is therefore recommended that the waiver be granted.



James H. Chafin
Assistant Chief Counsel for
Intellectual Property
Albuquerque Operations Office

Based on the foregoing Statement of Considerations, it is determined that the interest of the United States and the general public will best be served by waiver of United States and foreign patent rights as set forth herein to Sandia Corporation and, therefore, the waiver is granted subject to the terms of the Prime Contract, DE-AC04-76DP00789 and the Technology Transfer Agreements entered into on January 15, 1991 to implement this Class Waiver. This waiver shall not affect any waiver previously granted.

CONCURRENCE:

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Linda G. Stuntz
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Deputy Undersecretary for
Policy, Planning and Analysis

Date: 9/17/91

Richard A. Claytor
Richard A. Claytor
Assistant Secretary for Defense
Programs

Date: _____

APPROVAL:

Richard E. Constant
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Assistant General Counsel for
Intellectual Property

Date: _____

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Richard A. Claytor
Assistant Secretary for Defense
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Date: 12/2/91

APPROVAL:

Richard E. Constant
Assistant General Counsel for
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Date: 12/4/91

March-In Rights

- (1) Sandia agrees with respect to any Subject Invention in which it has acquired title, the DOE has the right, in accordance with procedures in 35 U.S.C. 203, 48 C.F.R. 27.304-1(g), 37 C.F.R. 401.6 and any supplemental regulations of the DOE, to require SNL, an assignee or exclusive licensee of a Subject Invention to grant a nonexclusive, partially exclusive or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances; and if the SNL, assignee or exclusive licensee refuses such a request, the DOE has the right to grant such a license itself if the DOE determines that:
 - (a) Such action is necessary because Sandia or assignee has not taken or is not expected to take, within a reasonable time, effective steps to achieve practical application of the Subject Invention in such field of use;
 - (b) Such action is necessary to alleviate health or safety needs which are not reasonably satisfied by SNL, assignee or their licensees;
 - (c) Such action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by SNL, assignee or licensees; or
 - (d) Such action is necessary because the agreement required by 35 U.S.C. 204 has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United States is in breach of such agreement.
- (2) Sandia agrees with respect to any Subject Invention in which it has acquired title, the DOE has the right at the end of the 5 year period in which Sandia has agreed to attempt to commercialize the invention set forth in the Statement of Considerations hereof to require Sandia to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant(s) upon terms that are reasonable under the circumstances, provided such grant does not cause a termination of licensee's right to use the invention; and, if Sandia refuses such request, to grant such a license itself, if the DOE determines that Sandia has not made a satisfactory demonstration that it or its licensee(s) is actively pursuing such commercialization.

Before requiring licensing under paragraph (2) above, DOE shall furnish Sandia a written notice of its intentions to require Sandia to grant the stated license, and Sandia shall be allowed 30 days (or such longer period as may be authorized by the Contracting Officer for good cause shown in writing by SNL) after such notice to show cause why the license should not be required to be granted.